

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2020-1-E - ORDER NO. 2020-439

JUNE 30, 2020

IN RE: Annual Review of Base Rates for Fuel Costs)	ORDER APPROVING
of Duke Energy Progress, LLC)	AND ADOPTING
)	ADJUSTMENT IN FUEL
)	COST RECOVERY
)	FACTORS

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the annual review of base rates for fuel costs of Duke Energy Progress, LLC (“DEP” or the “Company”). The procedure followed by the Commission is set forth in S.C. Code Ann. § 58-27-865 (2015), which provides for annual hearings to allow the Commission and all interested parties to review the prudence of the fuel purchasing practices and policies of an electrical utility and for the Commission to determine if any adjustment in a utility’s fuel cost recovery mechanism is necessary and reasonable. Additionally, and pursuant to S.C. Code Ann. § 58-39-140 (2015), the Commission must determine in this proceeding whether an increase or decrease should be granted in the fuel cost component designed to recover the incremental or avoided costs incurred by the Company to implement the Distributed Energy Resources Program (“DERP”) previously approved by the Commission.

A. Notice and Intervention

By letter dated December 10, 2019, the Clerk's Office of the Commission instructed the Company to publish a Revised Notice of Hearing and Prefile Testimony Deadlines (the "Notice") in newspapers of general circulation and provide Proof of Publication, on or before March 23, 2020. The letter also instructed the Company to furnish the Notice to each affected customer and provide a certification to the Commission on or before March 23, 2020, that notification had been furnished. The Notice indicated the nature of the proceeding and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings.

In compliance with the Commission's instructions, DEP published the Notice in newspapers of general circulation and, on January 16, 2020, filed with the Commission affidavits demonstrating that the Notice was duly published. DEP also furnished a copy of the Notice to the majority of its retail customers by bill insert, or electronically for those customers who agreed to receive the Notice electronically. Pursuant to Order No. 2020-139, the remainder of DEP's retail customers were provided with a copy of the Notice via separate mailing, along with a letter explaining that the bill insert was omitted from their bill. In accordance with the instructions set forth in the Clerk's Office letters and Order No. 2020-139, DEP filed with the Commission an affidavit certifying that a copy of the Notice was furnished to the Company's retail customers in South Carolina on or before March 2, 2020.

The South Carolina Office of Regulatory Staff (“ORS”) is considered a party of record in all proceedings before the Commission pursuant to S.C. Code Ann. § 58-4-10, and timely petitions to intervene were filed by Nucor Steel – South Carolina (“Nucor”) and the Southern Alliance for Clean Energy/South Carolina Coastal Conservation League (“SACE/CCL”). There was no opposition to any of the Petitions to Intervene, and the Commission issued orders granting each Petition to Intervene.¹

II. JURISDICTION OF THE COMMISSION

In accordance with S.C. Code Ann. § 58-27-140 (1) (2015), the Commission may, upon petition, “...ascertain and fix just and reasonable standards, classifications, regulations, practices or service to be furnished, imposed, observed, and followed by any or all electrical utilities.” Further, S.C. Code Ann. § 58-27-865(B) (2015) states, in pertinent part, that “[u]pon conducting public hearings in accordance with law, the commission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the commission to be appropriate for that period, adjusted for the over recovery or under-recovery from the preceding twelve-month period.”

Consistent with the requirements of S.C. Code Ann. § 58-27-865(B), the Commission convened an evidentiary hearing to determine the reasonableness of the Company’s proposed rates to recover fuel costs and whether acceptance of those proposed rates is just, fair, and in the public interest.

¹ See Order No. 2020-246 granting the Petition to Intervene filed on behalf of Nucor; See Order No. 2020-301 granting the Petition to Intervene filed on behalf of SACE/CCL.

III. DISCUSSION OF THE HEARING

The public evidentiary hearing in this matter was held virtually on June 9, 2020, before this Commission with The Honorable Florence P. Belser presiding as Chairman. Representing the parties and appearing before the Commission in this Docket were Katie M. Brown, Esquire, and Samuel J. Wellborn, Esquire, for the Company; Robert R. Smith, II, Esquire, and Michael K. Lavanga, Esquire, for Nucor; J. Blanding Holman, IV, Esquire, Katherine Nicole Lee, Esquire, and Kurt D. Ebersbach, Esquire, for SACE/CCL; and Alexander W. Knowles, Esquire, Andrew M. Bateman, Esquire, and Christopher M. Huber, Esquire, for ORS.

DEP, ORS, and SACE/CCL presented witnesses regarding the Company's base rates for fuel costs.

A. DEP TESTIMONY

The Company presented the direct testimony of Kelvin Houston, Kevin Henderson, Julie Turner, Dana Harrington, John Verderame, and Jason Martin, and the rebuttal testimony of James J. McClay, III. The pre-filed direct testimony of DEP witnesses Houston, Harrington, and Martin, along with the amended pre-filed direct testimony of DEP witnesses Verderame, Houston, and Turner were accepted into the record without objection. The rebuttal testimony of DEP witness McClay was accepted into the record subject to a Motion to Strike lodged by SACE/CCL. The Company

witnesses' exhibits were marked as Hearing Exhibits 1 through 7 and were entered into the record of the case.²

Company witness Houston testified regarding DEP's nuclear fuel purchasing practices, provided costs for the March 1, 2019 through February 29, 2020, review period, and described changes for the July 1, 2020 through June 30, 2021, billing period.

Company witness Verderame testified regarding DEP's fossil fuel purchasing practices and costs for the period March 1, 2019 through February 29, 2020, and described related changes forthcoming for the period July 1, 2020 through June 30, 2021.

Company witness Turner described DEP's generation portfolio and changes made since the prior year's filing, discussed the performance of DEP's fossil/hydro/solar facilities during the period of March 1, 2019 through February 29, 2020, provided information on significant outages that occurred during the review period, and discussed DEP's environmental compliance efforts.

Company witness Henderson discussed the performance of Brunswick, Harris, and Robinson Nuclear Stations for the period of March 1, 2019 through February 29, 2020.³ Witness Henderson reported to the Commission that DEP achieved a net nuclear capacity factor, accounting for (excluding) reasonable outage time pursuant to S.C. Code

² Hearing Exhibit 1 consists of the Direct Testimony Exhibits 1 and 2 of DEP witness Houston; Hearing Exhibit 2 consists of the Direct Testimony Exhibits 1 and 2 of DEP witness Verderame; Hearing Exhibit 3 consists of the Rebuttal Testimony Exhibit 1 of DEP witness McClay; Hearing Exhibit 4 consists of the Direct Testimony Exhibits 1 and 2 of DEP witness Henderson; Hearing Exhibit 5 consists of the public and confidential versions of Exhibit 3, as amended, to the Direct Testimony of DEP witness Henderson (the confidential version of this exhibit is kept under seal); Hearing Exhibit 6 consists of the Direct Testimony Exhibit 1 of DEP witness Martin; and Hearing Exhibit 7 consists of the Direct Testimony Exhibits 1 through 14 of DEP witness Harrington.

³ Pursuant to the Company's request, Commission Order No. 2020-339 ordered that Exhibit 3 of DEP witness Henderson's testimony be treated as confidential. The Company filed an amended Exhibit 3 to witness Henderson's direct testimony on June 8, 2020, along with a request to treat the amended exhibit as confidential. The Commission granted confidential treatment of amended Exhibit 3 of DEP witness Henderson's testimony at the hearing in this matter on June 9, 2020.

Ann. § 58-27-865, of 101.97%, which is above the 92.5% set forth in S.C. Code Ann. § 58-27-865. Mr. Henderson also reported the actual system average capacity of 91.74% during the review period.

Company witness Martin testified regarding the DERP costs that are incorporated into the proposed fuel factors sponsored by Witness Harrington, the nature of the costs as well as any changes made to the DERP portfolio since the 2019 fuel proceeding, and the Company's calculation of the components of the value of Net Energy Metering Distributed Energy Resources. Witness Martin also sponsored the Company's revisions to the 2020 Renewable Net Metering Rider RNM tariff sheet, filed as Martin Exhibit 1.

Company witness Harrington testified regarding: 1) the Company's proposed fuel factors by customer class to become effective July 1, 2020, for DEP's South Carolina customers; 2) DEP's actual expenditures for fuel, capacity-related costs, and environmental costs incurred while providing energy service to South Carolina customers for the review period of March 1, 2019 through February 29, 2020; 3) costs incurred related to DERP, for the review period; and 4) DEP's projected fuel costs, capacity-related costs, environmental costs, and DERP costs for the estimated period of March 1, 2020 through June 30, 2020, and the billing period of July 1, 2020 through June 30, 2021. Company witness Harrington provided fourteen (14) exhibits to support her direct testimony.

Company witness Harrington discussed the Company's approved DERP, associated costs, and the DERP NEM Incentive. Witness Harrington testified that the Company seeks approval for DERP incremental costs amounting to a per-account

monthly charge of \$1.00, \$3.69, and \$100.00 for South Carolina residential, commercial, and industrial customers, respectively, including gross receipts tax and regulatory fees. Company witness Harrington testified that the impact of the rates set forth in her direct testimony for an average residential customer using 1000 kWh per month is a decrease of \$4.11 or 3.5%. Witness Harrington testified that the approximate decreases anticipated in the average monthly bill of the remaining customer classes are as follows: 1.9% for General Service (non-demand) customers; 2.3% for General Service (demand) customers; and 0.5% for Lighting customers.

B. SACE/CCL TESTIMONY AND RESPONSIVE TESTIMONY

SACE/CCL presented the pre-filed direct and surrebuttal testimony of Gregory Lander. SACE/CCL witness Lander's pre-filed direct testimony was accepted into the record without objection. Exhibits 1, 2, 3, and 5, and the appendix to Mr. Lander's direct testimony were entered into the record as composite Hearing Exhibit No. 8. Exhibit 4 to Mr. Lander's direct testimony was entered into the record as Hearing Exhibit No. 9.⁴ Mr. Lander's pre-filed surrebuttal testimony was accepted into the record, subject to a Motion to Strike lodged by the Company.

The only contested issues in this proceeding were presented by witness Lander. Mr. Lander testified regarding natural gas pipeline capacity contracting, costs, and the Company's data reporting practices relating to capacity releases. In his direct testimony, Mr. Lander recommends that the Commission require the Company to prepare and provide a report to SACE/CCL that includes (1) each of the Company's generating units,

⁴ Hearing Exhibit 9 consists of the public and confidential versions of Exhibit 4 to the Direct Testimony of SACE/CCL witness Lander (the confidential version of this exhibit is kept under seal).

(2) each unit’s hourly electricity generation, (3) the type of each unit, (4) the type of fuel consumed by each unit, and (5) the quantity of fuel consumed by each unit on an hourly basis. Witness Lander did not propose any changes to the Company’s proposed fuel rates. His testimony focuses on DEP’s contracted pipeline capacity utilization, sufficiency of the Company’s existing capacity to reliably serve its generation needs, and the lack of monetization of “idle” capacity. Lander’s surrebuttal testimony also recommends that the Commission consider modifying the procedural schedule in future fuel proceedings to allow for additional time between the Company’s deadline for filing direct testimony and the deadline for ORS and intervenors to file direct testimony. In spite of these recommendations, Mr. Lander was able to conclude that—based upon his analysis—the Company had a “very good level”⁵ of long-term capacity utilization and a “good level”⁶ of overall capacity utilization.

In rebuttal, Company witness McClay provided additional background on the Company’s and Duke Energy Carolinas, LLC’s (“DEC”) management of natural gas supply and transportation capacity and responded to opinion testimony and recommendations offered by witness Lander on behalf of SACE/CCL.⁷ In his rebuttal testimony, Company witness McClay notes that, due to the limitations inherent to operational data estimates, Mr. Lander’s load factor utilization analysis does not include all gas flows and burns from the review period and is therefore understated. Although the Company provided SACE/CCL with actual consumption data based on end of month

⁵ Lander Direct at p. 6

⁶ Lander Direct at p. 8

⁷ Pursuant to the Company’s request, the Commission Order No. 2020-401 ordered that witness McClay’s rebuttal testimony be treated as confidential.

settlement reconciliations, Mr. Lander did not use that data in his analysis. McClay also testified that DEP and DEC do not currently have sufficient firm capacity to serve their gas generation requirements, as they currently rely on a single source pipeline with an inadequate amount of firm transportation and increasing operational restrictions.

McClay testified that the Companies do not have extra or “idle” capacity to monetize by releasing it to the market. Instead, DEP and DEC purposely maintain firm transportation throughout the gas day to address intraday needs, late-cycle storage adjustments, and post-cycle penalty mitigation, which in turn protects customers from pipeline imbalance penalties of \$50/dth. Witness McClay also testified that the Company provided SACE/CCL information consistent with the Commission’s order in the 2019 DEC fuel case. Finally, Company witness McClay testified that the procedural schedule should not be adjusted.

C. ORS TESTIMONY

Following the presentation of the Company’s witnesses and SACE/CCL’s witness, ORS presented the direct testimony of Anthony D. Briseno, Brandon S. Bickley, Anthony M. Sandonato, and Robert A. Lawyer. The pre-filed direct testimony of all ORS witnesses was accepted into the record without objection by the parties, and the ORS witnesses’ exhibits were marked as composite Hearing Exhibits 10-13 and were entered into the record of the case.

ORS witness Briseno presented direct testimony and ten exhibits, which demonstrated the results of ORS’s examination of DEP’s books and records pertaining to the Fuel Adjustment Clause operation for the actual period of March 2019 through

February 2020.⁸ The estimated months of the review period, March 2020 through June 2020, were also reflected in witness Briseno's pre-filed testimony. In his pre-filed direct testimony, witness Briseno stated that, based on ORS's examination, ORS agrees with the following cumulative (over)/under-recovery balances as calculated by the Company:

- February 2020 base fuel cost under-recovery balance of \$8,184,894;
- February 2020 environmental cost component over-recovery of \$86,728;
- February 2020 capacity cost component under-recovery balance of \$2,280,576;
- February 2020 DERP incremental under-recovery balance of \$45,020;
- February 2020 DERP avoided cost under-recovery balance of \$12,641;
- June 2020 estimated base fuel cost under-recovery balance of \$3,825,487;
- June 2020 estimated environmental cost component over-recovery balance of \$605,879;
- June 2020 estimated capacity cost component under-recovery balance of \$2,126,331;
- June 2020 estimated DERP incremental cost under-recovery balance of \$245,727;
- June 2020 estimated DERP avoided cost under-recovery balance of \$36,574.

ORS witness Bickley presented direct testimony and six exhibits.⁹ Witness Bickley testified regarding ORS's examination of DEP's power plant operations used in the generation of electricity to meet the Company's retail customer requirements during the review period.

⁸ Composite Hearing Exhibit No. 10 consists of the Direct Testimony Exhibits of Anthony D. Briseno (Exhibits ADB-1 through ADB-10).

⁹ Composite Hearing Exhibit No. 11 consists of the Direct Testimony Exhibits of Brandon S. Bickley (Exhibits BSB-1 through BSB-6).

ORS witness Sandonato presented direct testimony and five exhibits.¹⁰ Witness Sandonato testified regarding the Company's fuel expenses used in the generation of electricity to meet the Company's South Carolina retail customer requirements during the review period.

ORS witness Lawyer presented direct testimony and one exhibit.¹¹ Witness Lawyer testified regarding ORS's recommendation resulting from the examination of DEP's DERP expenses for the period of March 2019 through February 2020 ("Actual Period"), March 2020 through June 2020 ("Estimated Period"), and July 2020 through June 2021 ("Forecasted Period"). Specifically, witness Lawyer testified regarding the Company's DERP avoided and incremental costs, the method by which the Company proposed to recover those costs, and the value of the NEM incentive. Additionally, witness Lawyer addressed the Company's modification to the Renewable Net Metering Rider.

IV. PRELIMINARY MATTERS

A. DEP's Motion to Strike

At the hearing, counsel for DEP moved to strike the following from SACE/CCL witness Gregory Lander's surrebuttal testimony as not responsive to testimony filed by the Company on rebuttal: (1) page 2, line 5 through line 19, which discusses the Company's utilization of short-term capacity; and (2) page 3, line 12 through page 4, line 13, which discusses a discovery issue.

¹⁰ Composite Hearing Exhibit No. 12 consists of the Direct Testimony Exhibits of Anthony M. Sandonato (Exhibits AMS-1 through AMS-5).

¹¹ Hearing Exhibit No. 13 consists of the Direct Testimony Exhibit of Robert A. Lawyer (Exhibit RAL-1).

South Carolina case law limits reply testimony, which includes surrebuttal testimony, to that which responds to matters already raised. *See State v. South*, 285 S.C. 529, 535, 331 S.E.2d 775, 779 (1985) (“Any arguably contradictory testimony is proper on reply....”). However, “reply testimony should be limited to rebuttal of matters raised by the defense.” *State v. Huckabee*, 388 S.C. 232, 242, 694 S.E.2d 781, 786 (Ct. App. 2010); *see also State v. Farrow*, 332 S.C. 190, 194 (Ct. App. 1998) (“We thus hold the reply testimony . . . was improper because it was not presented to rebut evidence adduced by Farrow.”); *Winget v. Winn-Dixie Stores, Inc.*, 242 S.C. 152, 130 S.E.2d 363 (1963) (finding reversible error where the lower court denied a motion to strike and permitting it to be left in the case “for what it is worth”).

As for witness Lander’s discussion of the Company’s utilization of short-term capacity at page 2, line 5 through line 19, of his surrebuttal testimony, the Company states that this matter was not directly addressed in Company witness McClay’s rebuttal testimony because it is not relevant to this fuel proceeding and because the Company relies upon short-term and long-term capacity in the aggregate.

Counsel for the Company also moved to strike witness Lander’s surrebuttal testimony at page 3, line 12 through page 4, line 13, with respect to discovery matters. Mr. Lander asserts that the Company did not address his request made in direct testimony that plant names or designations be standardized to facilitate a comparison of electricity generation (MW) per hour and consumption of natural gas by hour. Surrebuttal Testimony of Gregory Lander, p. 4, lines 7-10.

If this were an attempt to raise a discovery matter – or a discovery dispute – for the first time in pre-filed testimony rather than during the discovery process, such an action would be inappropriate. However, a witness providing analytical findings is able to opine about the presentation and quality of data available for review. It is only logical that an analyst be afforded an opportunity, not only to discuss his or her findings, but also the qualitative nature of the underlying data supporting those findings. For example, in his surrebuttal testimony, on page 3, lines 12 through 23, witness Lander asserts that the Company’s data did not distinguish between hourly burn/gas flows by type of generator/generating station. Lander states that he was unable to “fully analyze the sufficiency of delivery capacity to power the combined cycle generators” at those locations having both combined cycle generators and combustion turbine generators.

Accordingly, the Commission finds and concludes that DEP’s Motion to Strike should be denied.

B. SACE/CCL’s Motion to Strike

At the hearing, SACE/CCL moved to strike page 7, lines 12 through 15, from Company witness McClay’s rebuttal testimony. The testimony with which SACE/CCL takes issue reads as follows:

First, [the Company’s firm transmission capacity] allows the Companies to procure lower cost natural gas supply from Transco Zones 3 and 4 and transport it to Transco Zone 5 for delivery to the Carolinas’ generation fleet. Transco Zones 3 and 4 intersect with multiple pipelines and have excellent supply liquidity and lower gas prices compared to Zone 5.

This portion of Company witness McClay’s testimony explains how the Company obtains fuel at lowest cost for its customers. This excerpt addresses how the Company

obtains firm gas transmission capacity and arranges for its delivery to its generation fleet. Besides this issue being relevant to the central subject matter of this proceeding, the issue is addressed in witness Lander's discussion of whether and how "the Companies have made prudent use of ratepayer dollars in procuring such capacity." Lander Direct Testimony at 6. Such prudent use of ratepayer dollars is not limited to capacity utilization, but also how the Company obtains lowest-cost fuel.

The Commission also notes that SACE/CCL had an opportunity to respond to rebuttal testimony through its own pre-filed surrebuttal testimony.

Because SACE/CCL's Motion to Strike addressed a portion of rebuttal testimony which discussed issues in SACE/CCL's direct testimony, the Commission finds and concludes that SACE/CCL's Motion to Strike should be denied.

V. Disposition of Outstanding Motions and Requests

A. Discovery Issues

In Docket No. 2019-3-E, the Commission required DEC to "record its natural gas utilization on an hourly and daily basis on a prospective basis," and to make the information available for production in its next fuel case. Order No. 2019-691 at 19, Docket No. 2019-3-E (Sept. 30, 2019). Although not specifically ordered to do so by the Commission, DEP began to investigate and pursue the steps necessary to obtain and record this information for production in this fuel case and did produce this information when requested by SACE/CCL. In this case, SACE/CCL have now expanded their request to the Commission to require the Company to specially prepare and provide a report to SACE/CCL that includes (1) each of the Company's generating units, (2) each

unit's hourly electricity generation, (3) the type of each unit, (4) the type of fuel consumed by each unit, and (5) the quantity of fuel consumed by each unit on an hourly basis.

The evidence of record reflects that the Company has complied with the Commission's order from the 2019 DEC fuel case by recording and making available for production its natural gas utilization on an hourly and daily basis. Inherent to the process of discovery is the fact that one party has in its "possession, custody or control" information that another party seeks. S.C.R.C.P. 34(a). In order for a party to be required to turn over documents in response to a request for production, the documents must actually be in the possession, custody or control of the party upon whom the request is served. *Reiland v. Southland Equip. Serv.*, 330 S.C. 617, 636 (Ct. App. 1998). To the extent SACE/CCL have requested that the Company produce a specially prepared report that the Company does not currently have in its possession, custody, or control, the request goes beyond the scope of permissible discovery.

The record also reflects that witness Lander's hourly analysis of the Company's gas procurement and utilization has limited bearing on the Company's relationship with its pipeline and gas capacity, given that Transco places daily limits on the Company's gas utilization rather than hourly limits.

The Commission therefore finds and concludes that SACE/CCL's request for a specially prepared report to be produced in discovery is not appropriate or necessary to the resolution of the issues in this or future fuel proceedings.

B. SACE/CCL's Proposed Modification to the Procedural Schedule

SACE/CCL have requested, in pre-filed testimony, that the Commission adjust the procedural schedule in its fuel cases to provide for more time between when the Company files its direct testimony and when intervenors file their direct testimony in order to provide more time for discovery.

The Commission finds and concludes that SACE/CCL's request to modify the procedural schedule in future fuel proceedings is appropriate and has issued a directive dated June 24, 2020, instructing staff to coordinate with parties for consideration of this issue.

VI. Findings:

1. As reflected in the evidence of record, no party challenged the reasonableness or prudence of DEP's fuel purchasing practices and policies, plant operations, and fuel inventory management during the Review Period. Based upon the evidence and testimony of the witnesses, the Commission therefore finds and concludes that DEP's fuel purchasing practices and policies, plant operations, and fuel inventory management during the Review Period are consistent with the statutory requirements of S.C. Code Ann. § 58-27-865 (2015), and are just, reasonable, and prudent.

2. The Commission finds that the methodology for determining the environmental cost component of the fuel factor and the methodology for allocation and recovery of the capacity-related cost component of the fuel factor (which includes purchased power capacity costs under the Public Utility Regulatory Policies Act of 1978 ("PURPA") and natural gas transportation storage costs) used by DEP in this proceeding

are consistent with the statutory requirements of S.C. Code Ann. § 58-27-865, and are just, reasonable, and prudent.

3. The Company's calculation and method of accounting for the avoided and incremental costs for NEM during the Review Period were reasonable and prudent, and were consistent with the methodology approved in Commission Order No. 2015-194, and complied with S.C. Code Ann. § 58-40-10, et seq.

4. The Commission finds that the 2020 component values for the NEM Distributed Energy Resource, as shown in Table 5 of Company witness Martin's direct testimony, comply with the NEM methodology approved by the Commission in Order No. 2015-194, and satisfy the requirements of S.C. Code Ann. § 58-40-10 et seq.

5. The Commission finds that the revisions to the 2020 Renewable Net Metering Rider RNM tariff sheet, as filed with Company witness Martin's direct testimony, are lawful, just, and reasonable.

6. The DERP charges as indicated in Company witness Harrington's testimony are reasonable and comply with S.C. Code Ann. §§ 58-27-865, 58-39-140, and 58-39-150.

7. As reflected in the evidence of record, no party challenged the reasonableness or prudence of DEP's proposed fuel factor (including the components recovering fuel costs, variable environmental costs, capacity-related costs, and DERP costs). Based upon the evidence and testimony of the witnesses, the Commission therefore finds and concludes that DEP's proposed fuel factor is consistent with the requirements of S.C. Code Ann. § 58-27-865, and is just, reasonable, and prudent.

IT IS THEREFORE ORDERED THAT:

1. The Company's Motion to Strike page 2, line 5 through line 19, and page 3, line 12 through page 4, line 13, of SACE/CCL witness Lander's surrebuttal testimony is denied.

2. SACE/CCL's Motion to Strike page 7, lines 12 through 15, of Company witness McClay's rebuttal testimony is denied.

3. SACE/CCL's request to adjust the procedural schedule in future fuel proceedings shall be reviewed by Commission staff with consultation of the parties.

4. SACE/CCL's request that the Company prepare a special report to be produced in discovery is not within the permissible scope of discovery, as governed by Rule 34, SCRCP, or necessary for the resolution of the issues in this and future fuel proceedings, and is therefore denied.

5. For purposes of the next fuel proceeding, DEP shall continue to record its natural gas utilization on an hourly and daily basis on a prospective basis, consistent with Commission Order No. 2019-691, applicable to DEC.

6. The Company's revisions to the 2020 Renewable Net Metering Rider RNM tariff sheet, attached hereto as Order Exhibit 1, are lawful, just and reasonable, and shall become effective for service rendered from July 1, 2020, through June 30, 2021.

7. The Company shall set its Residential base fuel factor at 1.901 cents per kWh¹² (not including applicable environmental, capacity-related, and DERP avoided cost components) effective for service rendered during the Billing Period. The Company shall

¹² Harrington Direct Exhibit 1 at line 4

set its General Service (non-demand), Lighting, and General Service (demand) base fuel factors at 1.887 cents per kWh (not including applicable environmental, capacity-related, and DERP avoided cost components) effective for service rendered during the Billing Period.¹³

8. DEP shall set its environmental cost component billing factor at 0.021 cents per kWh for the Residential class¹⁴, 0.012 cents per kWh for the General Service (non-demand) class, 0 cents per kWh for Lighting Service, and 6 cents per kW for the General Service (demand) class for service rendered July 1, 2020, through June 30, 2021.¹⁵

9. The Company shall set its capacity-related component at 0.532 cents per kWh for the Residential class¹⁶, 0.358 cents per kWh for the General Service (non-demand) class, 0.0 cents per kWh for Lighting class, and 108 cents per kW for the General Service (demand) class¹⁷ for service rendered July 1, 2020, through June 30, 2021.

10. DEP shall set its DERP avoided cost component at 0.002 cents per kWh for the Residential class¹⁸, 0.001 cents per kWh for the General Service (non-demand) class, 2 cents per kW for the General Service (demand) class, and 0.000 cents per kWh for the Lighting class for service rendered July 1, 2020, through June 30, 2021.¹⁹

¹³ Harrington Direct Exhibit 1 at line 3

¹⁴ Harrington Direct Exhibit 1 at line 16

¹⁵ Harrington Direct Exhibit 1 at line 15

¹⁶ Harrington Direct Exhibit 1 at line 8

¹⁷ Harrington Direct Exhibit 1 at line 7

¹⁸ Harrington Direct Exhibit 1 at line 12

¹⁹ Harrington Direct Exhibit 1 at line 11

11. DEP shall set its DERP charge at \$1.00 per month for the Residential class, \$3.69 per month for the Commercial class, and \$100.00 per month for the Industrial class, including gross receipts tax and regulatory fees.²⁰

12. DEP shall file the South Carolina Retail Adjustment for Fuel, Variable Environmental, and Avoided Capacity Costs Rider and all other retail Tariffs with the Commission and a copy with ORS within ten (10) days of receipt of this Order.

13. DEP shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865.

14. DEP shall continue to file the monthly reports as previously required.

15. DEP shall continue to examine and make adjustments as necessary to its natural gas hedging program in light of the potentially reduced volatility in the domestic natural gas market. DEP shall also provide monthly natural gas hedging reports to ORS.

16. DEP shall, by rate class, account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

17. DEP shall submit monthly reports to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 megawatts or greater.

²⁰ Harrington Direct Exhibit 1 at line 26

18. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Florence P. Belser, Interim Vice Chair

ATTEST:



Jocelyn Boyd, Chief Clerk/Executive Director

RENEWABLE NET METERING RIDER RNM-~~89~~AVAILABILITY

Available to residential and nonresidential Customers receiving concurrent service from Company, on a metered rate schedule, except as indicated under General Provisions. A customer-generator is a owner, operator, or lessee of an electric generation unit that generates or discharges electricity from a renewable energy resource, including an energy storage device configured to receive electrical charge solely from an onsite renewable energy resource. The renewable net energy metered (NEM) generation, which includes a solar photovoltaic; solar thermal; wind powered; hydroelectric; geothermal; tidal or wave energy; recycling resource; hydrogen fueled or combined heat and power derived from renewable resources; or biomass fueled generation source of energy, is installed on Customer's side of the delivery point, for Customer's own use, interconnected with and operated in parallel with Company's system. The generation must be located at a single premises owned, operated, leased or otherwise controlled by Customer.

Service under this Rider is closed to new participants on and after June 1, 2021. Participants served under this Rider prior to May 16, 2019, and subsequent owners of the customer-generator facility, shall remain eligible for service under this Rider until December 31, 2025, when an alternate tariff must be selected. Participants and subsequent owners of the customer-generator facility applying for service under this Rider on and after May 16, 2019 and prior to June 1, 2021 shall remain eligible for service under this Rider until May 31, 2029, when an alternate tariff must be selected. Customers requesting NEM service on and after June 1, 2021, will receive service in accordance with the NEM tariff in effect at that time.

GENERAL PROVISIONS

1. To qualify for service under this Rider, Customer must comply with all applicable interconnection standards and must provide, in writing, the Nameplate Capacity of Customer's installed renewable generation system. Any subsequent change to the Nameplate Capacity must be provided by Customer to Company in writing by no later than 60 days following the change.
2. To qualify for service under this Rider, a residential customer may be served on an approved residential rate schedule, but may not be served under Rider NM. The Nameplate Capacity of Customer's installed generation system and equipment must not exceed 20 kW AC.
3. To qualify for service under this Rider, a nonresidential customer may be served on an approved general service rate schedule, but may not be served on Schedules SGS-TES, TSS, TFS, LGS-RTP, LGS-CUR-TOU, CSG, CSE, GS, SFLS, SGS-TOU-CLR or Rider NM. The Nameplate Capacity of Customer's installed renewable generation system and equipment must not exceed 1,000 kW AC or 100% of Customer's contract demand which shall approximate Customer's maximum expected demand.
4. If Customer is not the owner of the premises receiving electric service from Company, Company shall have the right to require that the owner of the premises give satisfactory written approval of Customer's request for service under this Rider.
5. All environmental attributes, including but not limited to "renewable energy certificates" (RECs), "renewable energy credits" or "green tags", associated with the generation system shall be conveyed to Company until billing of a Distributed Energy Resource Program Rider DERP Charge is discontinued on all customer bills. Customer certifies that the environmental attributes have not and will not be remarketed or otherwise resold for any purpose, including another distributed energy

ORDER EXHIBIT 1

Duke Energy Progress, LLC
(South Carolina)

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resource standard or voluntary purchase of renewable energy certificates in South Carolina or in any other state or country for the Contract Period and any successive contract periods thereto.

6. If the electricity supplied to Customer by Company exceeds the electricity delivered to the grid by the customer-generator during a monthly billing period, the customer-generator shall be billed for the net electricity in kilowatt hours (kWh) supplied by Company plus any demand or other charges under the applicable rate schedule or riders.
7. Electricity delivered to the grid by Customer's renewable generation that exceeds the electricity delivered by Company during a monthly billing period is defined as Excess Energy. When used in conjunction with a time of use schedule, the TOU periods shall be specified in the applicable schedule and any Excess Energy shall apply first with the Excess Energy generated On-Peak kWh offsetting On-peak usage and then offsetting Off-peak usage. Any excess Off-Peak kWh shall only apply against Off-peak kWh usage. Any Excess Energy not used in the current month to offset usage shall carry forward to the next billing month.
8. Excess Energy shall be used to reduce electricity delivered and billed by Company during the current or a future month, except that for the March billing period any carry-over shall be compensated as described in the RATE paragraph below. In the event Company determines that it is necessary to increase the capacity of facilities beyond those required to serve Customer's electrical requirement or to install a dedicated transformer or other equipment to protect the safety and adequacy of electric service provided to other customers, Customer shall pay the estimated cost of the required transformer or other equipment above the estimated cost which Company would otherwise have normally incurred to serve Customer's electrical requirement, in advance of receiving service under this Rider.
9. The rates set forth herein are subject to Commission Order No. 2015-194, issued in Docket No. 2014-246-E pursuant to the terms of S.C. Code § 58-40-20(F)(4). Eligibility for this rate will terminate as set forth in that Order, and otherwise as specified above. The value of NEM generation eligible for this Rider shall be computed using the methodology contained in Commission Order No. 2015-194, in Docket No. 2014-246-E, and shall be updated annually by Company. The value of NEM generation for 2019 is ~~\$0.05033~~\$0.02445 per kWh for Schedules RES and R-TOUD, ~~\$0.05032~~\$0.02443 for Schedule SGS and ~~\$0.05024~~\$0.02446 for all other schedules.

RATE

All provisions of the applicable schedule and other applicable riders will apply to service supplied under this Rider, except as modified herein. For any bill month during which the Energy Charges are a net credit, the respective Energy Charges for the month shall be zero. Credits shall not offset the Basic Facilities Charge or the Demand Charge (if applicable). In addition to all charges in the applicable rate schedule for Customer's net electrical usage, the following credit may be applicable annually:

Annual Credit for Excess Generation –

If Customer has Excess Energy after offsetting usage as of the date of the March billing, Company shall pay Customer for the amount of the accumulated Excess Energy times a rate of ~~\$0.04290~~\$0.03360 per kWh, after which the amount of Excess Energy shall be set to zero.

MINIMUM BILL

The monthly minimum bill for customers receiving service under this Rider shall be no less than Basic Facilities Charge from the applicable rate schedule and riders plus, if applicable, any of the following Charges: the Demand Charge, the Off-peak Excess Demand Charge, and the Extra Facilities Charge.

METERING REQUIREMENTS

Company will furnish, install, own and maintain a billing meter to measure the kilowatt demand delivered by Company to Customer, and to measure the net kWh purchased by Customer or delivered to Company. For renewable generation capacity of 20 kW AC or less, the billing meter will be a single, bi-directional meter which records independently the net flow of electricity in each direction through the meter, unless Customer's overall electrical requirement merits a different meter. For larger renewable generation capacities, Company may elect to require two meters with 15-minute interval capabilities to separately record Customer's electrical consumption and the total generator output, which will be electronically netted for billing. Customer grants Company the right to install, operate, and monitor special equipment to measure Customer's generating system output, or any part thereof, and to obtain any other data necessary to determine the operating characteristics and effects of the installation. All metering shall be at a location that is readily accessible by Company.

SAFETY, INTERCONNECTION AND INSPECTION REQUIREMENTS

This Rider is only applicable for installed renewable generation systems and equipment that complies with and meets all safety, performance, interconnection, and reliability standards established by the Commission, the National Electric Code, the National Electrical Safety Code, the Institute of Electrical and Electronic Engineers, Underwriter's Laboratories, the Federal Energy Regulatory Commission and any local governing authorities. Customer must comply with all liability insurance requirements of the Interconnection Standard.

POWER FACTOR

Customer's renewable generation must be operated to maintain a 100% power factor, unless otherwise specified by Company. When the average monthly power factor of the power supplied by Customer to Company is other than 100%, the Low Power Factor Adjustment stated in Company's Service Regulations may be applicable. Company reserves the right to install facilities necessary for the measurement of power factor. Company will not install such equipment, nor charge a Low Power Factor Adjustment if the renewable generation system is less than 20 kW AC and uses an inverter.

CONTRACT PERIOD

Customer shall enter into a contract for service under this Rider for a minimum original term of one (1) year, and shall automatically renew thereafter, except that either party may terminate the contract after one year by giving at least sixty (60) days prior notice of such termination in writing.

Company reserves the right to terminate Customer's contract under this Rider at any time upon written notice to Customer in the event that Customer violates any of the terms or conditions of this Rider, or operates the renewable generation system and equipment in a manner which is detrimental to Company or any of its customers. In the event of early termination of a contract under this Rider, Customer will be required to pay Company for the costs due to such early termination, in accordance with Company's South Carolina Service Regulations.